



June 30, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2013 FCC Form 481

Dear Ms. Dortch:

South Canaan Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

James J Kail
President & CEO

Attachments

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

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**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

South Canaan Telephone Company ("Company") is a small, privately held rural local exchange company based in Pennsylvania. The Company requests confidential treatment of certain information being provided to the Commission in its 2017 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	The Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2013 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled "Rate of Return Carrier Additional Information" ³ , which consists of the Company's financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential Information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

REDACTED - FOR PUBLIC INSPECTION

ECG Form 481 - Carrier Annual Reporting Data Collection Form		ECG Form 481 OMB Control No. 3080-0030/OMA Control No. 3080-0030 10/2/09
<010>	Study Area Code	170205
<015>	Study Area Name	South Canaan Tel Co
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	Christine Lalor
<035>	Contact Telephone Number: Number of the person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address: Email of the person identified in data line <030>	clalor@lhtc.net
Form Type		54.313 and 54.422

Redacted
for public inspection

2003 Service Outage Reporting (SvOrr)
Data Collection Form

FD-302a (Rev. 4-15-64)

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D. C. 20535

<010>	Study Area Code	
<015>	Study Area Name	170305
<020>	Program Year	South Canadian Tel Co 2018
<030>	Contact Name - Person USAC should contact regarding this data	Christine Salvo
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clsalvo@nrc.ca

210 For the prior calendar year, were there any reportable voice service outages?

2

[illegible]

(300) Unfulfilled Service request

Data Collection Form

PGF Form 481
 OMB Control No. 3561-0095 (OMB Control No. 3561-0029)
 July 2013

<010> Study Area Code 170205
 <015> Study Area Name South Canyon Tel Co
 <020> Program Year 2018
 <030> Contact Name - Person USAC should contact regarding this data Christine Talor
 <035> Contact Telephone Number - Number of person identified in data line <030> 7243932411 ext. 104
 <038> Contact Email Address - Email Address of person identified in data line <030> ctalor@telco.net
 <300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

Redacted
 for public inspection

1400 Number of complaints per 1,000 customers Data collection form	VUS Form 482 Data Control No. 0000-0000/0000 Control No. 0000-0000 July 2013
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<010>	Study Area Code	170705
<015>	Study Area Name	Branch Canyon Tel Co
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245912412 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@telco.net
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	

Redacted
for public inspection

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FD Form 583
OMB Control No. 3060-0086/OMB CONTROL NO. 3060-0086
July 2018

<010> Study Area Code	170205
<015> Study Area Name	South Ozone Tel Co
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Christine Taylor
<035> Contact Telephone Number - Number of person identified in data line <030>	726272511 ext. 300
<030> Contact Email Address - Email Address of person identified in data line <030>	ctaylor@scs.net
<500> Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	170206PA510.pdf
<525> Certify compliance with applicable minimum service standards	

Redacted
for public inspection

<010>	Study Area Code	379205
<015>	Study Area Name	South Kansas 701 sq
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christian Lelzer
<035>	Contact Telephone Number - Number of person identified in data line <030>	7249922411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	elzler@white.net
<500>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for functionality in Emergency Situations	170208PA610.pdf

Redacted
for public inspection

ON 15 Control No. 3060-0861048 Control No. 3060-0861048
July 2013

2/7/2017

[illegible]

<010>	Study Area Code	170205
<015>	Study Area Name	
<020>	Program Year	South Ocean Tel Co
<030>	Contact Name - Person USAC should contact regarding this data	2018
<035>	Contact Telephone Number - Number of person identified in data line <030>	Christine Taloz 7255932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaloz@lbrc.msc

[illegible]

001 Operator Organization 002 Contact Name 003 Contact Title 004 Contact Phone 005 Contact Email 006 Contact Address 007 Contact City 008 Contact State 009 Contact Zip 010 Contact Country	
--	--

<010>	Study Area Code	170205
<015>	Study Area Name	South Canaan Tel Co
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christine Jaloz
<035>	Contact Telephone Number - Number of person identified in data line <030>	74592411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	cizlovelhcc.net
<810>	Reporting Carrier	South Canaan Telephone Company
<811>	Holding Company	Exxel Highland Total Communications, Inc
<812>	Operating Company	South Canaan Telephone Company

<813>	Affiliates	SAC	Doing Business As Company or Brand Designation
-- See attached worksheet --			

South Dakota Department of Game, Fish & Forestry
Bureau of Wildlife Management
Wildlife Management Section
170205
South Cassian Tel. Co
2018
Christine Laker
7245932411 ext.104
claker@wdc.net

<010> Study Area Code
<015> Study Area Name
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data
<035> Contact Telephone Number - Number of person identified in data line <030>
<039> Contact Email Address - Email Address of person identified in data line <030>
<900> Does the filing entity offer tribal land services? (Y/N)

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with Tribal community and/or institutions.
- <922> Feasibility and sustainability planning.
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select
Yes/No/
Not applicable

1000 Voice and Broadband Service Rate Comparability Data Collection Form

By: Paula
 Date: 08/08/2018
 File: 0808080111024.pdf

<010>	Study Area Code	170205
<015>	Study Area Name	South Canyon Tel Co
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christine Talor
<035>	Contact Telephone Number - Number of person identified in data line <030>	724592411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctalor@telco.net

<1000> Voice services rate comparability certification Yes

170205PA1010.pdf

<1010> Attach detailed description for voice services rate comparability compliance

Name of Attached Document

Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1020> Broadband comparability certification

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

170205PA1020.pdf

Redacted for public inspection

1100) US Terrestrial Backhaul Reporting Data Collection Form

<010>	Study Area Code	170205
<015>	Study Area Name	South Ocean Tel Co
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christina Talbot
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	christina@talbot.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

No

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

Yes

Redacted
for public inspection

<p> 2001 Terms and Conditions: Lifetime Customers Update Data Collection Form </p>	<p> 170205 South Ocean Tel. Co. 2013 Christina Lator 7245932411 ext. 104 clalator@tc.net </p>
---	--

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> [Link to Public Website](#)

HTTP <https://patel.org/wp-content/uploads/2013/11/tariff94-Ideline.pdf>

*Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to 54.42(a)(2) annual reporting for ETs receiving low-income support, carriers must annually report:

<1271> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,

<122> Details on the number of minutes provided as part of the plan,

Additional charges for toll calls, and rates for each such plan.

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.333(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

54.313(b)(1)(iii) - Note that for the
ies to Round 2 recipients of
year three after filing a notice of
to 54.312(c), that the location in
ort under the Broadband Initiative
nology Opportunities Program for
band with speeds of at least
Round 2 recipients only.
cludes a statement of the total amount
previous year in meeting Community
igations, accompanied by a list of
unding was spent. This covers
und 2 recipients only.
al Support?

ating where funding was spent in year
recipients only.

Name of Attached Document List
Required Information

- 2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}
 Certification support used to build broadband
 Connect America Phase II Reporting {47 CFR § 54.313(e)}
 Connect America Fund Phase II recipient?
 Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.
 Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)
 Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such rates were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(iii)(C)

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such rates were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(iii)(C)

Name of Attached Document Listing Required Information

170205	Study Area Code
South Canaan Tel Co	Study Area Name
2018	Program Year
Christine Lalor	Contact Name - Person USAC should contact regarding this data
7245932411 ext. 104	Contact Telephone Number - Number of person identified in data line <090>
clalor@lhtc.net	Contact Email Address - Email Address of person identified in data line <090>

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(ii)	
(3010A)	Certification of Public Interest Obligations (47 CFR § 54.313(f)(1)(i))	Not Applicable - No Attachment Required
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3012A)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	No - No New Community Anchors
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	<input checked="" type="radio"/> Yes <input type="radio"/> No
(3014)	If yes, does your company file the RUS annual report	<input type="radio"/> Yes <input checked="" type="radio"/> No
(3015)	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No) <input checked="" type="radio"/> Yes <input type="radio"/> No
(3019)	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.	<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flow	<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that has performed the company's financial audit.	<input checked="" type="checkbox"/>
(3022)	If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.	<input type="checkbox"/>
(3023)	Underlying Information subjected to a review by an independent certified public accountant	<input type="checkbox"/>
(3024)	Underlying Information subjected to an officer certification.	<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information

170205PA3019.pdf, 170205PA3020.pdf

Study Area Code		170205
Study Area Name	South Canyon Tel. Co.	
Program Year	2018	
Contact Name - Person USAC should contact regarding this data	Christine Salotti	
Contact Telephone Number - Number of person identified in data file <030>	724592471 ext.104	
Contact Email Address - Email Address of person identified in data file <030>	csalotti@telco.net	

Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends

Redacted
for public inspection

4005 Rural Broadband Experiment Additional Information		FCC Form 481
Date of Submission		OMB Control No. 4005-0086/OMB Control No. 4005-0087
		July 2014

<010>	Study Area Code	170900
<015>	Study Area Name	South Canyon Tel Co
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Christine Saker
<035>	Contact Telephone Number - Number of person identified in data line <030>	77451711 ext. 101
<039>	Contact Email Address - Email Address of person identified in data line <030>	csaker@telco.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations - FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions - FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes - attach new community anchors, no - no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Broadband Deployment Locations - FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

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for public inspection

Certification - Reporting Carrier	OMB Form 3901-0001
Data Collection Form	OMB Control No. 3080-0326/OMB Control No. 3080-0818 July 2008

<010> Study Area Code	170205
<015> Study Area Name	South Canaan Tel Co
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	Christine Talor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhto.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	South Canaan Tel Co
Signature of Authorized Officer:	CERTIFIED ONLINE Date 06/30/2017
Printed name of Authorized Officer:	Janees Kall
Title or position of Authorized Officer:	President & CEO
Telephone number of Authorized Officer:	7245932411 ext.107
Study Area Code of Reporting Carrier:	170205 Filing Due Date for this form: 07/15/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Redacted
for public inspection

Attachments

Redacted
for public inspection



South Canaan Telephone Company
4157 Main Street
PO Box 168
Stahlstown, PA 15687
724 593-2411
724 593-2423

South Canaan Telephone Company (SAC 170205)

Statement Regarding Compliance with Service Quality Standards and Consumers Protection Rules
47 CFR § 54.313(a)(5)
Form 481, Line 510

South Canaan Telephone Company (SCTC) is an incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Utility Commission (PUC). As such, SCTC is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

SCTC is subject to the service quality standards and consumer protection standards adopted by the Pennsylvania Public Utilities Commission that are applicable to ILECs in our state. These standards are contained in Section 63.51 through 63.65 of the Pennsylvania Code.

Apart from effective internal procedures and operations, SCTC ensures compliance with all applicable service quality and consumer protection rules as defined by the PUC which entails the operation of an effective customer complaint process. SCTC is required to respond to customer complaints and other service quality-related inquiries from the PUC in a reasonable time frame. SCTC consistently meets or exceeds all PUC standards, and reports to this effect via all required PUC filings.

SCTC has established internal procedures to ensure compliance with the Federal Communications Commission's Customer Proprietary Network Information (CPNI) rules that include, but are not limited to, periodic employee training and maintenance of written company CPNI procedures. SCTC certifies its compliance with the Commission's CPNI rules by making annual filings as required in 47 CFR § 64.2009(e).



South Canaan Telephone Company
4157 Main Street
PO Box 168
Stahlstown, PA 15687
724 593-2411
724 593-2423

South Canaan Telephone Company (SAC 170205)

Statement Regarding the Ability to Function in Emergency Situations
47 CFR § 54.313(a)(6)
Form 481, Line 610

South Canaan Telephone Company (SCTC) is an incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Utility Commission (PUC). SCTC is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

SCTC has 5 portable generators capable of providing the required level of backup power, and that can be deployed as necessary to SCTC's switching and remote sites. SCTC's network is capable of rerouting traffic around damaged facilities, although this ability is not absolute and may be limited in certain circumstances. However, SCTC follows all industry standard practices in ensuring its network remains functional during different types of emergency situations.

Redacted
for public inspection



South Canaan Telephone Company
4157 Main Street
PO Box 168
Stahlstown, PA 15687
724 593-2411
724 593-2423

Statement Regarding Certification of Voice Rate Comparability
47 C.F.R. § 54.313(a)(10)
Form 481, Line 1010

South Canaan Telephone Company (SCTC) is a rural, rate of return regulated incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Commission (PUC). As such, SCTC is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

SCTC hereby certifies that the pricing of its voice services is no more than two standard deviations above the national average urban rate for voice service, \$49.51, as specified in the February 14, 2017, Public Notice DA 17-167 Issued by the Wireline Competition Bureau of the Federal Communications Commission.

SCTC's residential voice service rates, including state fees and the federal subscriber line charge (SLC) are as follows:

Monthly rate for exchange 570 937 is \$
Monthly rate for exchange 570 468 is \$
Average monthly rate is \$

Redacted
for public inspection



Statement Regarding Certification of Broadband Rate Comparability
47 C.F.R. § 54.313(a)(10)
Form 481, Line 1020

South Canaan Telephone Company hereby confirms that the pricing of its broadband services is no more than two standard deviations above the national average urban rate for broadband service, \$77.98, as specified in the February 14, 2017, Public Notice DA 17-167 issued by the Wireline Competition Bureau of the Federal Communications Commission.

SCTC's residential broadband service rates:

Monthly rate for 3/3 MPS unlimited data is \$
Monthly rate for 10/10MPS unlimited data is \$
Monthly rate for 25/25MPS unlimited data is \$

Redacted
for public inspection

1/1/2017	
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[illegible]

50202T

South Canada Tel. Co.

8702

Charmaine Taylor

724593747 000 100

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(3005a) Operating Report for Privately-Held Rate of Return Carriers
Balance Sheet - Data Collection Form
Page 1 of 3

FCC Form 481
OMB Control No. 3060-0986
July 2013

<010> Study Area Code 170205
<015> Study Area Name South Canaan Telephone Company
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data Christine Lator
<035> Contact Telephone Number - Number of person identified in data line <030> <035> 724-593-0104
<038> Contact Telephone Email Address - Email Address of person identified in data line <030> christine.lator@scacny.net
I Filed as reviewed single company
I Filed as reviewed consolidated company
I Filed as subsidiary of reviewed consolidated company
I Filed as subsidiary of audited consolidated company

CERTIFICATION
We hereby cert hat the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.
6/30/2017
Signature _____ Date _____

PART A. BALANCE SHEET			
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY
CURRENT ASSETS			CURRENT LIABILITIES
1. Cash and Equivalents			25. Accounts Payable
2. Cash-RUS Construction Fund			26. Notes Payable
3. Affiliates:			27. Advance Billings and Payments
a. Telecom, Accounts Receivable			28. Customer Deposits
b. Other Accounts Receivable			29. Current Mat. L/T Debt
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.
4. Non-Affiliates:			31. Current Mat-Capital Leases
a. Telecom, Accounts Receivable			32. Income Taxes Accrued
b. Other Accounts Receivable			33. Other Taxes Accrued
c. Notes Receivable			34. Other Current Liabilities
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)
6. Material-Regulated			LONG-TERM DEBT
7. Material-Nonregulated			36. Funded Debt-RUS Notes
8. Prepayments			37. Funded Debt-KTB Notes
9. Other Current Assets			38. Funded Debt-FFB Notes
10. Total Current Assets (1 Thru 9)			39. Funded Debt-Other
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt
a. Rural Development			42. Rescquired Debt
b. Nonrural Development			43. Obligations Under Capital Lease
12. Other Investments			44. Adv. From Affiliated Companies
a. Rural Development			45. Other Long-Term Debt
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)
OTHER LIAB. & DEF. CREDITS			47. Other Long-Term Liabilities
13. Nonregulated Investments			48. Other Deferred Credits
14. Other Noncurrent Assets			49. Other Jurisdictional Differences
15. Deferred Charges			50. Total Other Liabilities and Deferred Credits (47 thru 49)
16. Jurisdictional Differences			EQUITY
17. Total Noncurrent Assets (11 thru 16)			51. Cap. Stock Outstanding & Subscribed
PLANT, PROPERTY, AND EQUIPMENT			52. Additional Paid-in-Capital
18. Telecom, Plant-in-Service			53. Treasury Stock
19. Property Held for Future Use			54. Membership and Cap. Certificates
20. Plant Under Construction			55. Other Capital
21. Plant Adj., Nonop. Plant & Goodwill			56. Patronage Capital Credits
22. Less Accumulated Depreciation			57. Retained Earnings or Margins
23. Net Plant (18 thru 21, less 22)			58. Total Equity (51 thru 57)
24. TOTAL ASSETS (10+17+23)			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)

170205
2 0 1 8
Christine Laib
724-593-0104
regulatory@htc.net

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS.		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense (Excluding Depreciation & Amortization)		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or Margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins end-of-period [(31+33+34)-(35+36+37+38)]		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)		
44. Annual Debt Service Payments		
45. Cash Ratio D4+20-10-11/17		
46. Operating Accrual Ratio 1(14+20+26)/17		
47. TIER 1[(31+26)/26]		
48. DSCR 1(31+26+10+11)/44		

(3005c) Operating Report for Privately-Held Rate of Return Carriers

Balance Sheet - Data Collection Form

Page 3 of 3

FCC Form 481

OMB Control No. 3060-0986

July 2013

<010> Study Area Code

170205

<015> Study Area Name

South Canaan Telephone Company

<020> Program Year

2018

<030> Contact Name - Person USAC should contact regarding this data

Christine Lalor

<035> Contact Telephone Number - Number of person identified in data line <030>

724-593-0104

<039> Contact Telephone Email Address - Email Address of person identified in data line <030>

regulatory@ihhc.net

PART C. STATEMENTS OF CASH FLOWS

1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)

CASH FLOWS FROM OPERATING ACTIVITIES

2. Net Income

Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities

3. Add: Depreciation

4. Add: Amortization

5. Other (Explain)

I

Changes in Operating Assets and Liabilities

6. Decrease/(Increase) in Accounts Receivable

7. Decrease/(Increase) in Materials and Inventory

8. Decrease/(Increase) in Prepayments and Deferred Charges

9. Decrease/(Increase) in Other Current Assets

10. Increase/(Decrease) in Accounts Payable

11. Increase/(Decrease) in Advance Billings & Payments

12. Increase/(Decrease) in Other Current Liabilities

13. Net Cash Provided/(Used) by Operations

CASH FLOWS FROM FINANCING ACTIVITIES

14. Decrease/(Increase) in Notes Receivable

15. Increase/(Decrease) in Notes Payable

16. Increase/(Decrease) in Customer Deposits

17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)

18. Increase/(Decrease) in Other Liabilities & Deferred Credits

19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital

20. Less: Payment of Dividends

21. Less: Patronage Capital Credits Retired

22. Other (Explain)

I

23. Net Cash Provided/(Used) by Financing Activities

CASH FLOWS FROM INVESTING ACTIVITIES

24. Net Capital Expenditures (Property, Plant & Equipment)

25. Other Long-Term Investments

26. Other Noncurrent Assets & Jurisdictional Differences

27. Other (Explain)

I

28. Net Cash Provided/(Used) by Investing Activities

29. Net Increase/(Decrease) in Cash

30. Ending Cash

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3005a BalanceSheet	0
3005b IncomeStatement	0
3005c Cashflow	0

Mandatory fields that are blank				
Worksheet	Input Item	Line Item	Error Status	
3005a BalanceSheet	Study Area Code	<010>	OK	
3005a BalanceSheet	Study Area Name	<015>	OK	
3005a BalanceSheet	Program Year	<020>	OK	
3005a BalanceSheet	Contact Name - Person USAC should contact regarding this data	<030>	OK	
3005a BalanceSheet	Contact Telephone Number - Number of person identified in data line <030>	0035>	OK	
3005b IncomeStatement	Contact Telephone Email Address - Email Address of person identified in data line <036>	<039>	OK	
3005c Cashflow	Explanation for cell C30	5	OK	
3005c Cashflow	Explanation for cell C39	22	OK	
3005c Cashflow	Explanation for cell C45	27	OK	
Totals that can not be zero				
Worksheet	Input Item	Line Item	Error Status	
3005a BalanceSheet	Total Assets	24	OK	
3005a BalanceSheet	Total Liabilities and Equity	59	OK	
3005b IncomeStatement	Input items for prior year		OK	
3005b IncomeStatement	Input items for current year		OK	

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

MERCADANTE & COMPANY PC
CERTIFIED PUBLIC ACCOUNTANTS

Raising the Bar

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Laurel Highland Total Communications, Inc. and Subsidiaries
Stahlstown, PA

We have audited the accompanying consolidated financial statements of Laurel Highland Total Communications, Inc. and Subsidiaries (corporations), which are comprised of the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for

our audit opinion.

1121 11th Street Conway, PA 15027 724.869.3007 I Fax 724.869.3003 I www.mercadante-cpas.com

REDACTED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Laurel Highland Total Communications, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplementary information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such consolidated information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidated information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such consolidated information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

glimeaza*.disaeldaeeto RC

Mercadante and Company, P.C.
Certified Public Accountants
Conway, PA

March 21, 2017

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
<u>Current Assets</u>		
Cash, General Funds		
Telecommunications Accounts Receivable		
Other Accounts Receivable		
Materials and Supplies Inventory		
Prepaid and Refundable Corporation Taxes		
Prepaid Insurance and Other Prepaid Assets		
Total Current Assets		
<u>Other Assets</u>		
Goodwill-Net		
Other Investments-Net		
Total Other Assets		
<u>Property</u>		
Land		
Buildings		
Plant and Equipment Not in Service		
Plant and Equipment in Service		
Total Property		
Less: Accumulated Depreciation		
Net Property		
Total Assets		
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current Liabilities</u>		
Long-Term Debt - Current Portion		
Accounts Payable		
Accrued Taxes, Other than Income		
Total Current Liabilities		
Long-Term Debt - Net Current Portion		
Deferred Income Taxes		
Total Liabilities		
<u>Stockholders' Equity</u>		
Capital Stock - Common No Par Value, 40,000 Shares Authorized, 20,100 Shares Issued, 18,197 and 18,322 Shares Outstanding at December 31, 2016 and 2015, Respectively		
Treasury Shares		
Retained Earnings		
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity		

See independent auditor's report and notes to financial statements.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Revenues		
Local Service		
Interstate End User		
Access - Interstate		
Access - Intrastate Access		
- Intrastate (ITORP)		
Long Distance Toll		
Non-Regulated - TV, Internet & Radio		
Non-Regulated Directory Revenues - Net		
Other Non-Regulated Income - Net		
Miscellaneous		
Total Revenues		
Less: Uncollectibles - Net		
Total Operating Revenues		
Operating Expenses		
Plant Specific		
Plant Non-Specific		
Customer Service		
Corporate Operations		
Other Operating Taxes		
Cost of Services		
Non-Regulated - TV, Internet & Radio		
Total Operating Expenses		
Net Operating Income		
Other Income and (Expenses)		
Interest and Dividend Income		
Interest Expense		
Loss on Sale of Assets		
Voluntary Early Retirement Cost		
Miscellaneous - Net		
Net Other Income and Expenses		
Income Before Provision for Income Taxes		
Provision for Income Taxes		
Current		
Deferred		
Net Income		
Retained Earnings, Beginning of Year		
Dividends Declared		
Retained Earnings, End of Year		

See independent auditors' report and notes to financial statements.

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Net Income		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization		
Loss on Disposal of Assets		
Deferred Income Taxes		
(Increase) Decrease in Assets:		
Accounts Receivable		
Inventories		
Prepaid and Other Current Assets		
Increase (Decrease) in Liabilities:		
Accounts Payable		
Other Current Liabilities		
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities		
Property Additions		
Other Investments		
Proceeds From Sale of Assets		
Net Cash Used by Investing Activities		
Cash Flows From Financing Activities		
Payments on Term Loan and Line of Credit		
Proceeds from Line of Credit Borrowing		
Dividends Paid		
Purchase of Treasury Shares		
Net Cash Used by Financing Activities		
Net Increase (Decrease) in Cash		
Cash, Beginning of Year		
Cash, End of Year		
Supplemental Disclosure of Cash Flow Information		
Cash Payments During Calendar Years Ended		
December 31, 2016 and 2015 for the Corporation		
Income Taxes		
Interest		

See independent auditor's report and notes to financial statements.

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies

Business Activity:

In connection with an Asset Purchase Agreement OunQ entered into on October 20, 2016, a newly formed wholly-owned subsidiary, LHTC Media of West Virginia, Inc. (LMWV), was established to operate four radio stations located in the Fairmont/Morgantown/Clarksburg area of West Virginia. While the transaction was approved by the Federal Communications Commission (FCC) in December of 2016, the deal wasn't closed as of the balance sheet date. Effective October 15, 2016, LMWV began operating the West Virginia radio stations under a Time Broker Agreement (TBA) and will continue to do so until the transaction is closed. Under the terms of the TBA, LMWV's parent company, Laurel Highland Total Communications, Inc. (LH Total) is required to pay the seller a monthly fee of \$[REDACTED]. Additionally, from the October 15, 2016 effective date, LMWV is responsible for certain operating expenses of the stations and is entitled to all revenues generated by the stations. In accordance with the APA, LH Total will pay the seller the total purchase price of \$[REDACTED], less one half of the FCC filing fee of \$[REDACTED], which was paid by LH Total at the time the filing was submitted to the FCC for approval. On November 3, 2016, LMWV entered into an APA to purchase an FM translator for one of the West Virginia AM stations at a cost of \$[REDACTED]. This transaction is scheduled to close shortly after the consummation of the purchase of the four radio stations.

In addition to LMWV, Laurel Highland Telephone Company (LHTC), Laurel Highland Long Distance Company (LHLD), Laurel Highland Television Company (LHTV), Yukon-Waltz Telephone Company (YWTC), Yukon-Waltz Communications, Inc. (YWCI), South Canaan Telephone Company (SCTC), South Canaan Long Distance Company (SCLD), South Canaan Services Company (SCSC), and LHTC Media, Inc. (LHTCM) are also wholly-owned subsidiaries of LH Total, which operates as a holding company. Management believes a holding company structure is a well established form of organization for companies conducting multiple lines of business. The purpose of the holding company structure is to permit the Company to better address the many developments in the communications field, the most significant of which is competition from regulated and non-regulated companies that is becoming more prevalent in a changing regulatory environment.

LHTC, YWTC and SCTC are providers of telecommunications services in the Laurel Highland, Youghiogheny and South Canaan areas of Pennsylvania, respectively. LHTC was incorporated on December 31, 1908 under the name Ligonier Valley Telephone Company. In 1962 the Company acquired the physical assets of the Indian Creek Valley Telephone Company and subsequently changed the name of the Company to Laurel Highland Telephone Company. YWTC, which was acquired by LH Total on December 1, 1998, was incorporated on August 11, 1911.

LHLD and YWCI were established in 1996 and 1997, respectively, as providers of long distance telephone services to customers located in the service territories of LHTC and YWTC. SCLD provides long distance telephone services to customers located in the service territory of SCTC.

LHTV, which was established in the late 1960s as an affiliate of LHTC, is a provider of cable television and high-speed Internet services in the same territories covered by LHTC, YWTC, and SCTC. SCSC is a provider of the legacy cable television and DSL and fiber Internet services in the same territory covered by SCTC.

SCTC, SCSC, and SCLD became operational in November 2013 as part of LH Total's purchase of the assets of several companies referred to as the "old South Canaan Companies."

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

LHTCM holds the assets of AM radio station 1480 WCNS, which was acquired in 2014 and airs its programming in the City of Latrobe and the surrounding communities. Additionally, in accordance with an APA entered into on June 16, 2016, and as approved by the FCC, effective November 15, 2016, LHTCM purchased the assets of an AM radio station, 910 WAVL (WAVL) and its FM translator, WAVL, airs its programming in the Borough of Apollo, Pennsylvania, and the surrounding communities, which is also simulcast on 98.7 of the FM band covering the Greenburg/Latrobe area. Of the total purchase price of \$[REDACTED], \$[REDACTED] was allocated to the intangible asset, FCC Licenses.

On April 22, 2016, LH Total purchased approximately [REDACTED] acres, including the tower site property located in Unity Township, Pennsylvania, this was under lease to WCNS. The total purchase for this property was \$[REDACTED], including \$[REDACTED] of closing costs.

On November 15, 2016, LH Total acquired the assets of the Caddie Shak, a family fun center located in Donegal, Pennsylvania, at a total cost of \$[REDACTED] including closing costs. In addition to the building structures and equipment associated with the Caddie Shak's operations, the acquired assets included approximately [REDACTED] acres of land. Of the total purchase price, \$[REDACTED] was financed through a mortgage note payable to the seller in monthly installments over a five-year term beginning December 15, 2016, and including interest at the rate of [REDACTED]%. In a related transaction, on December 23, 2016, LH Total entered into an agreement to purchase approximately [REDACTED] acres of property at the entrance to the Caddie Shak at a cost of \$[REDACTED] plus closing costs. This transaction was still pending as of the balance sheet date.

LH Total charges rental fees to the various operating subsidiaries for use of the space in buildings held under its name. The inter-company rental charges have been eliminated in the consolidated financial statements.

Financial Statement Presentation:

The consolidated financial statements include the accounts of LH Total and its wholly-owned subsidiaries, LHTC, LHTV, LHLD, YWTC, YWCI, SCTC, SCSC, SCLO, LHTCM, and LMWV. All material intercompany transactions have been eliminated in consolidation. The accounting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America and reflect practices appropriate to the telecommunications industry.

Preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent revenues and expenses. Actual results could differ from those estimates. The accounting records of the Company's telephone operations are maintained in accordance with the Uniform System of Accounts for Telephone Companies prescribed by the FCC as contained in part 32 of its rules and regulations.

Accounts Receivable - Uncollectible Accounts:

The Company uses the direct write-off method and during 2016, receivable write-offs amounted to \$[REDACTED] compared to 2015 net write-offs of \$[REDACTED].

Inventories:

Inventories consist of materials and supplies used to maintain and improve the telecommunications plant and equipment in service. The inventory is valued at original cost.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

Property and Equipment:

Property and equipment are capitalized at original cost, including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits. The Company provides for depreciation for financial reporting purposes using the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

In 2011, a depreciation policy change was made in connection with the conversion of the Company's depreciation schedules to a specialized software program resulting in excess accumulated depreciation of \$[REDACTED] and a \$[REDACTED] salvage amount. In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 154, the above depreciation policy change was treated on a prospective basis as a "Change in Accounting Estimate." Management elected to amortize the combined total of \$[REDACTED] over five years, resulting in a decrease in annual depreciation by \$[REDACTED] beginning in 2011 through 2015.

Certain plant and equipment costs totaling \$[REDACTED] incurred in connection with the Company's ongoing capital projects were classified as "Plant and Equipment Not Placed in Service" in the balance sheet as of December 31, 2016 since the related projects were still in progress as of such date. The total cost will be transferred to the appropriate plant and equipment accounts upon completion of the capital projects in 2017.

Renewals and betterments of units of property are charged to telecommunications plant and equipment in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation together with removal cost less any salvage realized. During 2016 and 2015, the Company retired fully depreciated central office switching and other equipment with an original cost totaling \$[REDACTED] and \$[REDACTED], respectively. Repairs and renewals of minor items of property are included in plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets if indicators of impairment were present and the undiscounted cash flows estimated to be generated by those assets were less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Revenue and Expense Recognition:

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territories. Local network service and Internet service revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange networks. The interstate portion of access revenues is based, in part, on formulas administered by the National Exchange Carrier Association which is regulated by the FCC. The traffic sensitive portion of interstate access revenues is billed on an individual company access charge structure as approved by the FCC. The intrastate portion of access revenues is billed on an individual company tariff access charge structure based on expense and plant investment of the Company as approved by the state regulatory authority. The tariffs developed from these formulas are used to charge the connecting

carrier and recognize revenues in the period the traffic is transported based on

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at tariffed and contracted rates.

Non-regulated operating revenues, derived from the provision of cable television and Internet services, and radio advertising, are recognized in the period when the services are performed.

In accordance with the accrual method of accounting, the Company recognizes expenses when incurred regardless of the period in which they are paid.

Advertising:

The Company expenses advertising costs as incurred. For the years ended December 31, 2016 and 2015, total advertising expense amounted to \$ [REDACTED] and \$ [REDACTED], respectively.

Note B - Other Assets

In 2003 LHTC acquired the 30% minority interest in its subsidiary, LHLD for \$ [REDACTED]. The excess purchase price of \$ [REDACTED] over the book value of the minority interest is presented as goodwill in the balance sheet. In connection with the acquisition of YWTC, in accordance with FASB ASC No. 141, Business Valuations, and No. 142, Goodwill and Other Intangible Assets, \$ [REDACTED] of the stock purchase price was allocated to the Acquired Customer Relationships (ACR) intangible asset account as determined by an independent CPA firm. Additionally, the remaining excess purchase price over YWTC's net book value was allocated to goodwill, which amounted to \$ [REDACTED] including total acquisition costs of \$ [REDACTED].

In accordance with FASB ASC No. 142, prior to 2014, the Company did not amortize goodwill since it was deemed to have an indefinite life and was subject to annual impairment tests. However, in January 2014, the Financial Accounting Standards Board (FASB) released an update to U.S. Generally Accepted Accounting Principles, No. 2014-2, Intangibles—Goodwill and Other Intangible Assets (Topic 350), enabling private companies to amortize goodwill on a straight-line basis over 10 years. Accordingly, effective January 1, 2014, the Company elected to amortize the goodwill associated with the LHLD and YWTC acquisitions referred to previously. As of December 31, 2016 and 2015, total goodwill reflected in the balance sheet is net of accumulated amortization of \$ [REDACTED] and \$ [REDACTED], respectively, and amortization was \$ [REDACTED] in 2016 and 2015.

In connection with the November 2013 acquisition of the assets of the old South Canaan Companies, \$ [REDACTED] of the purchase price was allocated to the ACR account. Also, in 2014 the ACR asset was increased by \$ [REDACTED] in connection with the purchase of WNS's assets. These assets are being amortized for financial statement purposes over a 15-year period and are reported in the balance sheet as Other Investments, net of accumulated amortization. Accumulated amortization on the total ACR assets as of December 31, 2016 and 2015 was \$ [REDACTED] and \$ [REDACTED], respectively, and amortization was \$ [REDACTED] in 2016 and 2015. Also, included in Other Investments as of December 31, 2016 and 2015, is \$ [REDACTED] and \$ [REDACTED], respectively, allocated to LHTCM's FCC licenses as part of the purchase price allocations associated with WCNS and WAVL. This item is considered an indefinite-lived intangible asset, which is not amortized for book purposes, but rather subjected to annual impairment testing.

As part of the assets purchased from the old South Canaan Companies, the Company acquired [REDACTED] shares of common stock in LTC Communications, Inc., a privately held company. The value allocated to this stock in accordance with the APA, and

included in Other Investments in the balance at December 31, 2016 and 2015, was

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B - Other Assets (Continued)

\$ [REDACTED]. Also, as part of the November 2013 transaction, the Company acquired a [REDACTED] ownership interest in Network Aggregation Services Association, LLC (NASA) which is a limited partnership. The value assigned to this investment, and included in Other Investments at December 31, 2016 and 2015, was \$ [REDACTED] and \$ [REDACTED], respectively. Additionally, included in Other Investments are deposits of \$ [REDACTED] and \$ [REDACTED] placed in escrow accounts in connection with the pending acquisitions of the four West Virginia radio stations and the FM translator, respectively, referred to previously. In summary, Other Investments consist of the following as of December 31, 2016 and 2015:

Acquired Customer Relationships - Net
Common Stock - LTC Communications, Inc.
Partnership Interest - NASA
FCC Licenses
Escrow Account Deposits

Total

	2016	2015
Acquired Customer Relationships - Net	[REDACTED]	[REDACTED]
Common Stock - LTC Communications, Inc.	[REDACTED]	[REDACTED]
Partnership Interest - NASA	[REDACTED]	[REDACTED]
FCC Licenses	[REDACTED]	[REDACTED]
Escrow Account Deposits	[REDACTED]	[REDACTED]

Note C - Property in Service

Property in service is stated at cost. The following classifications as of December 31, 2016 and 2015:

Summary set forth the major

Land
Vehicles
Work Equipment
Buildings
Furniture
Office Equipment
Digital Electronic Switching Equipment
Circuit Equipment
Station Connections
Pole Lines
Aerial Cable
Aerial Wire
Underground Cable
Buried Cable
Cable Television Plant and Equipment
Internet Equipment
Plant and Equipment not Placed in Service
Radio Equipment
Leasehold Improvements
Machinery and Equipment

Total

	2016	2015
Land	[REDACTED]	[REDACTED]
Vehicles	[REDACTED]	[REDACTED]
Work Equipment	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]
Digital Electronic Switching Equipment	[REDACTED]	[REDACTED]
Circuit Equipment	[REDACTED]	[REDACTED]
Station Connections	[REDACTED]	[REDACTED]
Pole Lines	[REDACTED]	[REDACTED]
Aerial Cable	[REDACTED]	[REDACTED]
Aerial Wire	[REDACTED]	[REDACTED]
Underground Cable	[REDACTED]	[REDACTED]
Buried Cable	[REDACTED]	[REDACTED]
Cable Television Plant and Equipment	[REDACTED]	[REDACTED]
Internet Equipment	[REDACTED]	[REDACTED]
Plant and Equipment not Placed in Service	[REDACTED]	[REDACTED]
Radio Equipment	[REDACTED]	[REDACTED]
Leasehold Improvements	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]

The following is a summary of depreciation by type of asset for the years ended December 31, 2016 and 2015:

Telecommunications plant and equipment
Cable television plant and Internet equipment
LH Total's buildings and equipment
Radio equipment

Total

	2016	2015
Telecommunications plant and equipment	[REDACTED]	[REDACTED]
Cable television plant and Internet equipment	[REDACTED]	[REDACTED]
LH Total's buildings and equipment	[REDACTED]	[REDACTED]
Radio equipment	[REDACTED]	[REDACTED]

Note D - Long-Term Debt

The Company has established a line of credit with First National Bank (FNB) in the amount of \$ [REDACTED], secured by its assets. Advances on the line of credit accrue interest monthly at either the "Prime" rate or [REDACTED] % above the London Inter

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D - Long-Term Debt (Continued)

Bank Offered Rate (LIBOR), as selected by LH Total. As part of the financing used to acquire the Unity Township property referred to previously, in April of 2016, the Company drew \$ [REDACTED] against the line of credit. This amount was repaid through the third quarter of 2016. On November 5, 2013, in connection with the acquisition of the assets of the old South Canaan Companies, the Company secured a note payable to FNB in the amount of \$ [REDACTED], collateralized by the Company's assets. Beginning in January 2014, principal and interest payments are due on the first day of each month based on a 10-year amortization schedule and a floating interest rate of [REDACTED] % above the 30-day LIBOR with an option to fix the rate via an interest rate swap. Maturities on this note, which matures in December 2020, along with the maturities on the five-year mortgage note incurred in connection with the purchase of the Caddie Shak discussed previously, are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2017	[REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]

The Company was in compliance with all restrictive and financial covenants relating to its debt arrangements at December 31, 2016 and 2015.

Note E - Appropriation of Retained Earnings

Given its ongoing commitment to modernize its plant and equipment, the Company appropriated \$ [REDACTED] of its retained earnings as of December 31, 2015. The appropriation was increased to \$ [REDACTED] in January 2016. The amount was subsequently reduced to \$ [REDACTED] in January 2017, which has been designated for the budgeted 2017 capital expenditures.

Note F - Employee Pension and Profit Sharing Plans

Effective January 1, 2002, the Company established a 401(k) profit sharing plan to comply with all applicable statutes, including the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986, as amended by the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Uniform Services Employment and Reemployment Rights Act, and all applicable rulings and regulations issued thereunder.

Pension expense applicable to years ended December 31, 2016 and 2015 amounted to \$ [REDACTED] and \$ [REDACTED], respectively.

Note G - Income Taxes

The Company has adopted FASB ASC No. 109, Accounting for Income Taxes (Statement 109). Statement 109 adopts a liability method that requires the recognition of deferred liabilities for the expected future consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. The deferred tax liability results from the use of accelerated methods of depreciation of property and equipment and other timing differences between book and tax expense and revenue items. Statement 109 generally considers all expected future events other than enactments of changes in tax laws and rates.

For the years ended December 31, 2016 and 2015, the Company's income tax expense consisted of the following:

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G - Income Taxes (Continued)

	2016	2015
Current income tax expense:		
Federal	\$ [REDACTED]	\$ [REDACTED]
State	[REDACTED]	[REDACTED]
Deferred income tax expense:		
Federal	\$ [REDACTED]	\$ [REDACTED]
State	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

The implementation of 10075 bonus depreciation for tax purposes resulted in federal and state taxable losses in 2011. Since the state does not allow for loss carry-backs, the state taxable losses for LHTV and YWTC were applied against state taxable income beginning in 2012. The state taxable loss for YWTC was fully utilized in 2013 while LHTV's taxable loss was fully utilized in 2016. The tax years for which the Company is currently subject to IRS examination include the years 2013 through 2015.

NOTE H - Stock Restrictions

The Company has one class of common stock. Restrictions on the stock include the following:

Shareholders are limited to ownership of not more than 1,000 shares for each shareholder.

Shareholders shall not sell any shares of stock owned unless the Company has been given first right of refusal.

Stock transfers require the consent of the Board of Directors.

NOTE I - Treasury Shares Activity

During 2015, the Company acquired another 250 shares of its common stock from shareholders at a total cost of \$ [REDACTED]. In 2016, the Company acquired another [REDACTED] shares of its common stock from shareholders at a total cost of \$ [REDACTED]. As of December 31, 2016 and 2015, there were [REDACTED] and [REDACTED] treasury shares with a total cost of [REDACTED] and \$ [REDACTED], respectively, reported in the equity section of the balance sheet.

NOTE J - Concentrations of Credit Risk

The Company grants credit to local telephone service, cable television, and Internet customers, telecommunications intrastate and interstate long distance carriers, and to radio advertisers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its cash in several financial institutions, which helps limit the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts, some of which exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K - Operating Segments Information

The Company organizes its business into four reportable segments: Telecommunications, Cable Television and Internet, Radio, and Other Non-Regulated services. These reportable business segments are strategic business units that offer different services. Each reportable segment is managed and accounted for separately, primarily because of different services and regulatory environments.

The segment accounting policies are the same as those described in the summary of significant accounting policies. A summary of operating revenues and operating expenses by reportable segment for the years ended December 31, 2016 and 2015 follows:

	2016	Telecommuni- cations	Cable TV & Internet	Radio	Other Non- Regulated
Operating Revenues					
Operating Expenses					
Net Operating Income ()					
	2015				
Operating Revenues					
Operating Expenses					
Net Operating Income ()					

Note L - Life Insurance Proceeds

The Company has key man life insurance policies on certain employees on which it is the sole beneficiary. In 2016, one of the employees passed away and the Company collected life insurance proceeds in the amount of \$, which was included in the "Miscellaneous - Net" item under Other Income (Expenses) in statement of income. Additionally, the life insurance proceeds were exempt for federal and state income tax purposes.

Note M - Voluntary Early Retirement

In 2014, two employees accepted an early retirement plan offering (the "ERP") and retired effective July 1, 2014. During 2015, another employee accepted an ERP offered by the Company and retired effective January 1, 2016. Under the terms of each of the ERPs, in addition to early retirement compensation, the Company agreed to pay certain post-retirement benefits on behalf of the retirees until they became eligible for Medicare upon reaching age 65.

Consistent with the treatment of the previous ERPs, the full cost of the 2015 ERP was reported as an expense under Other Income (Expense) in the statement of income for the year ended December 31, 2015. In 2016, an adjustment was made to the 2015 ERP liability resulting in a credit to the ERP expense in the amount of \$. A summary of the amounts reported as Other Income (Expense) for the years ended December 31, 2016 and 2015, follows:

	2016	2015
Cost of ERPs	0	\$
ERP Adjustments	()	
<u>Total</u>	<u>\$()</u>	<u>\$</u>

In addition to the adjustment made to the 2015 ERP liability in 2016, referred to above, the ERP liability was adjusted to reflect changes in the cost of the medical and dental benefits for the retirees. As of December 31, 2016 and 2015, the ERP liability included in Accounts Payable in the balance sheet was \$ and \$, respectively.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N - Gross Receipts Tax Issue

In 2010, the Company received assessment notices from the Pennsylvania Department of Revenue (the "DOR") for additional gross receipts taxes (GRT) and interest for the 2008 tax year. While the Company's initial appeals were denied, the DOR agreed to stay the proceedings related to the 2008 additional GRT assessments until the outcome was known concerning a court proceeding involving similar issues. In 2011 and 2012, the Company received additional assessment notices from the DOR for the years 2009 and 2010. The DOR granted the Company's request to stay the proceedings for these years as well. In 2015 and 2016, the following additional assessment notices were received:

2015

2011, 2012, and 2013 for LHTC and YWTC,
2013 for SCTC.

2016

2014 for YWTC.

In 2016, the Company received decisions from the DOR's Board of Appeals (BOA) concerning all of the additional assessments received in 2015. While the 2016 BOA rulings for YWTC were essentially in line with the amount reserved for the years 2011 through 2013, with the exception of YWTC's 2011 assessment, the BOA rulings for LHTC and SCTC were unfavorable. The Company adjusted the GRT Reserve liabilities to reflect the impact of the 2016 BOA rulings as of December 31, 2015, and filed appeals with the Board of Finance and Revenue (BF&R), for LHTC, YWTC and SCTC in 2016. While the subsequent BF&R ruling were not favorable, based on management's most recent discussion with the attorney who has been handling the proceedings, management believes that the pending liabilities will eventually be settled for less than the amounts included in the GRT reserve account.

Concerning the court proceeding referred to previously, the matter was ruled on by the Pennsylvania Supreme Court in 2015 and the ruling wasn't favorable to the Company's position. However, in July of 2016, the Company filed appeals with the Commonwealth Court of Pennsylvania and the DOR subsequently granted stays for all of the additional assessments. With respect to the additional assessment received for YWTC in 2015 for the year 2014, the Company filed a petition with the BOA in December of 2016, which was also stayed pending the outcome of the current court proceeding. Furthermore, at the appropriate time in 2017, management will attempt to negotiate a settlement with the DOR.

As indicated previously, it was deemed prudent to establish a reserve for the additional GRT assessments using the logic deployed by the DOR in calculating the additional assessments. The total GRT reserve included in Accrued Taxes, Other than Income in the current liability section of the balance sheet as of December 31, 2016 and 2015 was \$ [REDACTED] and \$ [REDACTED], respectively.

Note O - Lease Agreements

As part of the acquisition of the old South Canaan Companies, the Company assumed a lease agreement that was entered into with Verizon Wireless, effective February 1, 2010. Beyond the initial five-year term, the lease agreement allows for four additional terms of five years each, unless Verizon Wireless provides written notice not to renew not less than 120 days prior to the expiration of the initial term or any renewal term. Under the terms of the lease agreement, which automatically renewed for an additional five-year term effective February 1, 2015, Verizon Wireless is leasing space in SCTC's central office at a current monthly rental of \$ [REDACTED]. The lease agreement also calls for the monthly rental rate to

increase by █% effective February 1 for each year the lease is in effect. The

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O - Lease Agreements (Continued)

following is a schedule of the minimum rentals under the lease through the end of the current term:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ [REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
Total	\$ [REDACTED]

As part of the acquisition of WCNS, the Company assumed WCNS's tower site lease agreement that was entered into with M. Romayne Zundel Trust (the Trust) by the former owner of WCNS in the 1980s. Under the terms of the lease agreement, which was set to expire in December 2025, WCNS has been making monthly payments, currently at the rate of \$ [REDACTED]. The lease agreement calls for a [REDACTED] % increase in the monthly rental rate effective January for each year the lease is in effect. However, as a result of LH Total's purchase of the Unity Township property, including the tower site leased from the Trust, a [REDACTED] yearly termination amount was paid to the Trust as required by the lease agreement, which will be terminated effective April 30, 2017. At such time, LH Total will establish a new lease agreement with LHTCM and the rental payments will be accounted for as an inter-company charge, which will be eliminated in the consolidated financial statements.

In connection with the purchase of WAVI on August 5, 2016, LHTCM entered into a five-year lease agreement with Crown Castle for tower site space for its FM translator antenna, at the monthly rental rate of \$ [REDACTED]. The lease agreement automatically extends for five renewal periods of five years each unless either party provides written notice to the other of its election not to renew the term, at least 180 days prior to the end of the current term. Additionally, the agreement calls for a [REDACTED] % increase in the monthly rental rate effective August 1st for each year the lease is in effect. The following is a schedule of the minimum rental payments over the remaining term of the lease:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ [REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]
Total	\$ [REDACTED]

Note P - Subsequent Events

Management has evaluated subsequent events through March 21, 2017, the date the financial statements were available to be issued, and has determined that the following event warranted disclosure:

- On January 4, 2017, the Company incorporated a new wholly-owned subsidiary, LHTC Entertainment, Inc., that will eventually hold the operating assets of the Caddie Shak when the facility begins operations in April of 2017.

SUPPLEMENTARY INFORMATION

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>Plant Specific Expense</u>		
Network Support		
Motor Vehicle		
Other Work Equipment		
Land and Building		
Office Equipment		
General Purpose Computer		
Central Office Equipment		
Digital Central Office		
Circuit Equipment		
Other Terminal Equipment		
Pole Repair		
Aerial Cable Repair		
Underground and Buried Cable Repair		
Other Plant and Equipment Repair		
<u>Total Plant Specific Expense</u>		
<u>Plant Non-Specific Expense</u>		
Transmission Power		
Network Administration		
Central Office Testing		
Plant Operations Administration		
Engineering		
Other		
Depreciation and Amortization		
<u>Total Plant Non-Specific Expense</u>		
<u>Customer Service Expense</u>		
Product Advertising		
Number Service		
Billing		
Customer Service		
<u>Total Customer Service Expense</u>		
<u>Corporate Operations Expense</u>		
Executive Department		
General Office and Accounting Wages and Benefits		
General Office - Other		
Professional Services		
External Relations and Assessments		
External Regulatory		
Insurance		
Legal		
Other		
<u>Total Corporate Operations Expense</u>		

See independent auditor's report and notes to financial statements.

REDACTED

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>Other Operating Taxes</u>		
State Realty Tax		
Pennsylvania Capital Stock Tax		
Pennsylvania Gross Receipts Tax		
Other		
<u>Total Other Operating Taxes</u>		
<u>Cost of Services</u>		
Access Services		
Long Distance Services		
<u>Total Cost of Services</u>		
<u>Non-Regulated Expenses</u>		
Cable TV and Internet		
Radio Operations		

REDACTED

See independent auditor's report and notes to financial statements.

REDACTED